

Explanatory Report by the Executive Board regarding the information pursuant to §§ 289 (4 and 5) and 315 (4) of the German Commercial Code (HGB) for Fiscal Year 2016

Translation for Convenience Purposes

In the Management Report of the Company and the Group Management Report the Executive Board disclosed information pursuant to §§ 289 (4 and 5) and 315 (4) of the German Commercial Code, *HGB*, which is explained in this report as follows:

The **stated share capital** (Grundkapital) of AIXTRON SE as of December 31, 2016 amounted to EUR 112,804,105.00 divided into 112,804,105 registered shares with a proportional interest in the Company's share capital of EUR 1.00 per no-par value registered share. Each no-par value share represents the proportionate share in AIXTRON's stated share capital and carries one vote at the Company's annual shareholders' meeting. All registered shares are fully paid in. The Company has issued a share certificate representing multiples of shares (global share); according to § 6 para. 4 sentence 2 of the Company's Articles of Association, the shareholders do not have the right to the issue of a share certificate representing their share(s).

There are no **voting or transfer restrictions** on AIXTRON's registered shares that are related to the Company's Articles of Association. There are no classes of securities endowed with **special control rights**, nor are there any provisions for **control of voting rights**, if employees participate in the share capital without directly exercising their voting rights.

As per December 31, 2016, the following additional **capitals** were in place according to different General Meeting resolutions and have not been utilized as per December 31, 2016 with the amounts referred to below:

(EUR or number of shares)	31-Dec 2016	Resolution
Authorized Capital 2014 - Capital increase for cash or contribution in kind	45,883,905	14.05.2014
Authorized Capital 2012 - Capital increase for cash	10,422,817	16.05.2012
Conditional Capital I 2012 - Authorization to potentially issue bonds with warrants and/or convertible bonds	40,715,810	16.05.2012
Conditional Capital II 2012 - Stock Options Program 2012	4,208,726	16.05.2012
Conditional Capital II 2007 - Stock Options Program 2007	2,809,738	22.05.2007
Conditional Capital 2 - Stock Options Program 1999	1,926,005	26.05.1999

Authorized Capital 2014: Based on the resolution of the General Meeting on May 14, 2014, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one occasion or in partial amounts on several occasions by up to a total of EUR 45,883,905.00 against cash and/or non-cash contributions by issuing new registered no-par value shares until May 13, 2019. In principle, shareholders must be granted

pre-emptive rights. However, under certain conditions stipulated in the authorization, the shareholders' pre-emptive rights may be excluded with the approval of the Supervisory Board. So far, the Executive Board has not made any use of this authorization.

Authorized Capital 2012: Based on the resolution of the ordinary General Meeting on May 16, 2012, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital on one occasion or in partial amounts on several occasions in the period to May 15, 2017 by up to a total of EUR 10,422,817.00 against cash contributions by issuing new registered no-par value shares. Shareholders must be granted pre-emptive rights. The shares may also be underwritten by one or several credit institutions with the obligation to offer the shares to the shareholders of the Company for subscription. The Executive Board shall, however, be authorized, with the approval of the Supervisory Board, to exclude the pre-emptive rights of shareholders in order to eliminate fractions resulting from the subscription ratio. The Executive Board shall also be authorized, with the approval of the Supervisory Board, to determine the further content of the share rights and the conditions for issuing shares. So far, the Executive Board has not made any use of this authorization.

Contingent Capital I 2012: Based on the resolution of the General Meeting on May 16, 2012, the share capital is conditionally increased by up to EUR 40,715,810.00 by issuing up to 40,715,810 new registered no-par value shares carrying dividend rights from the beginning of the fiscal year in which they are issued until and including May 15, 2017. This contingent capital increase serves the purpose of granting shares to the holders or creditors of bonds with warrants and/or convertibles bonds which will be issued against cash contributions by the Company or any company in which the Company owns a majority interest, either directly or indirectly, based on the authorization resolved by the General Meeting on May 16, 2012 (agenda item 7). Such new shares will be issued at the option and/or conversion price determined in accordance with the above authorization. The contingent capital increase will only be implemented to the extent that option and/or conversion rights arising from the bonds will be exercised and/or conversion obligations arising from the bonds will be fulfilled and to the extent that no cash compensation is granted or own shares or shares from authorized capital are used to satisfy such rights or obligations. The Executive Board shall be authorized, with the approval of the Supervisory Board, to determine the further details of implementing the contingent capital increase.

Contingent Capital II 2012: Based on the resolution of the General Meeting on May 16, 2012, the Company's share capital is conditionally increased by up to EUR 4,208,726.00 by issuing up to 4,208,726 no-par value registered shares. The Contingent Capital II 2012 serves the purpose of securing subscription rights arising from share options which will be issued by the Company until and including May 15, 2017 based on the authorization granted by the General Meeting on May 16, 2012. The contingent capital increase will only be implemented to the extent that the holders of such share options will exercise their option rights and the Company does not grant own shares or cash compensation in fulfillment of the share options. The shares will be issued from the Contingent Capital II 2012 at an issue price equal to the exercise price set forth in (a) (7) of agenda item 8 of the General Meeting on May 16, 2012. The new shares will carry dividend rights from the beginning of the fiscal year in which they are issued.

Contingent Capital II 2007: Following the exercise of subscription rights, this contingent capital amounts to up to EUR 2,809,738.00 as per December 31, 2016. It serves the purpose

of securing subscription rights arising from share options issued by the Company under the AIXTRON Stock Option Plan 2007 in the period to May 21, 2012 based on the authorization granted by the General Meeting on May 22, 2007. In fiscal year 2016, a total of 62,900 subscription rights were exercised under the terms of this stock option plan for a total nominal amount of EUR 62,900.00, i.e. corresponding to 62,900 registered no-par value shares. The contingent capital may be utilized until December 31, 2018.

Contingent Capital of May 26, 1999: Based on the resolution of the General Meeting on May 26, 1999 and following a reduction of the exercisable options and a corresponding reduction in fiscal year 2007, the Company's share capital is conditionally increased by up to EUR 1,926,005.00. The contingent capital increase serves the purpose of fulfilling subscription rights granted to Executive Board members of the Company and to members of the management of affiliates and to employees of the Company and to employees of affiliates under stock option plans in accordance with the resolution of the General Meeting on May 26, 1999 (agenda item 5). The contingent capital may be utilized until December 31, 2017.

In accordance with section 71 (1) no. 8 German Corporations Act, AktG, the Company is authorized until May 13, 2019 to purchase its **own shares** representing an amount of up to EUR 11,262,429 of the share capital and to use such own shares, with the approval of the Supervisory Board, as provided for in the underlying resolution of the General Meeting on May 14, 2014 (agenda item 5). This authorization may not be used by the Company for the purpose of trading in own shares. The authorization may be exercised in full or in part, once or several times by the Company for one or several purposes. The authorization may also be implemented by dependent or majority held enterprises of the Company or on their or the Company's behalf by any third parties. At the choice of the Supervisory Board, the shares may be purchased (1) on the stock market, (2) by way of a public offer to all shareholders made by the Company or (3) by way of a public request for offers of sale to all shareholders.

The **Articles of Association** of the Company may be amended by a resolution of the general meeting; any such amendment will become effective upon its registration in the commercial register (§181 (3) German Stock Corporation Act, AktG). To the extent that applicable law prescribes a majority of the share capital represented at the general meeting in order to pass a resolution, a simple majority of the share capital represented is sufficient according to Art. 22 (1) sentence 2 of the Articles of Association if this is legally permitted. According to Art. 22 (1) sentence 3 of the Articles of Association, a resolution on any amendments of the Articles of Association requires a majority of two-thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast, unless otherwise prescribed by applicable law (such as § 193 (1) of the German Stock Corporation Act, AktG, for a contingent capital increase). The Supervisory Board is authorized to amend and restate the Articles of Association in accordance with the scope of the respective capital increase from authorized and contingent capital; the Supervisory Board is further authorized to resolve amendments of and supplements to the Articles of Association solely relating to the wording (Art. 4 clause 2.8 and Art. 26 of the Articles of Association).

As of December 31, 2016, about 17% of AIXTRON shares were held by private individuals, with around 83% held by institutional investors. The largest AIXTRON institutional shareholder was Argonaut Capital Partners LLP (Edinburgh, UK) with around 8% holdings in AIXTRON stock. 100% of the shares were considered as free float according to Deutsche Börse's definition.

The Supervisory Board appoints and removes from office the **members of the Executive Board**, who may serve for a maximum term of six years before being reappointed.

If a "**change of control**" situation exists, the individual members of the Executive Board are entitled to terminate their service relationship with AIXTRON with a notice period of three months to the end of the month and to resign from their post on the termination date. Upon termination of the services as a result of a "change of control", all members of the Executive Board will receive a **severance pay** in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the service contract, however, not exceeding an amount equal to twice the annual compensation. A "change of control" situation exists if a third party or a group of third parties who contractually combine their shares in order to act subsequently as a third party, directly or indirectly hold more than 50% of the Company's authorized capital. Apart from the above mentioned, there are no further "change of control" provisions.

In order to minimize risks, AIXTRON established an enterprise **risk management system** that is continuously being adapted to the evolving business environment and business processes.

A risk management system has been implemented for monitoring, analyzing, and documenting business risks and measures. Risk and measure reporting is the core component of AIXTRON's strategic risk and opportunity management. Risk managers, responsible for implementing risk reporting, have been appointed in different areas of the Company.

As an international technology company, AIXTRON is engaged in business operations worldwide and is, consequently, exposed to a variety of risks. The Company may also benefit from the opportunities related to the risks it is exposed to. In order to minimize risks, AIXTRON established an enterprise risk management system that is continuously being adapted to the evolving business environment and business processes.

To minimize risks and to capitalize on opportunities, AIXTRON pursues a forward looking product strategy, by observing current and identifying anticipated future market trends and customer requirements and continuously striving to develop and maintain unique selling propositions related to its technology. This product strategy incorporates measures for honing the Company's profile in its target market, for building new partnerships and alliances, as well as for training third parties engaged to market, sell, and deploy AIXTRON products. In fiscal year 2016, the Company continued to monitor market trends and the activities of its competitors and evaluated market analyses and forecasts produced by leading market research companies. Project management and quality assurance systems are routinely deployed in all areas of product development where risk awareness and evaluation play a crucial role. Therefore, AIXTRON uses systems for project management and quality control in this area.

These measures are accompanied by a training and development program for managers and specialist employees, and by procedures to maintain and expand the necessary infrastructure when required.

AIXTRON deploys accounting, control, and forecasting systems for the global monitoring and management of core enterprise information. Regular reporting processes ensure that information on business and market trends is regularly updated. In addition to annual budget planning, real-time forecasts are used to continuously review and update the Company's plans. As part of the Company's financial control procedures, variances between actual and budget figures are continuously identified and analyzed and serve as basis for corrective measures as necessary.

Furthermore, the Executive Board analyzes the Company's net assets, financial position, and results of operations on a continuous basis. The frequent exchange of knowledge and experiences at all hierarchy levels worldwide ensures the constant and efficient flow of information as well as rapid decision-making.

The Executive Board informs and includes, where required, the Supervisory Board in all key decisions at least once every quarter, and normally at shorter intervals. The Audit Committee of the Supervisory Board meets regularly with the Executive Board to discuss, analyze, and monitor financial issues arising in the course of the Company's business activities. Internal guidelines governing risk management, insider trading, and the disclosure of share price sensitive information ensure compliance with all applicable laws and the implementation of the corporate governance recommendations specified in the German Corporate Governance Code.

The Company's Supervisory Board is informed about the status, plausibility, and further development of the risk management system by the Executive Board on an ongoing basis. In addition, it is the Company's auditor's duty, to inform the Supervisory Board about their audit of the risk management early warning system.

In addition, AIXTRON's Management is responsible for establishing and maintaining adequate **internal control and risk management** and for reviewing its continuing effectiveness. Such processes are designed to manage risks and to provide reasonable assurance against material misstatement or loss. Management ensures, to the extent possible, that the system of internal procedures and controls is appropriate to the nature and scale of the Company's activities and that appropriate processes and controls are in place to effectively manage and mitigate strategic, operational, financial and other risks facing the Company. This also includes the centrally monitored compliance to group wide accounting guidelines and valuation principles in financial reporting.

The Company has an ongoing process of identifying, evaluating and managing risk. Management and Audit Committee confirm that necessary actions are being undertaken to eliminate perceived failings or weaknesses identified from these reviews.

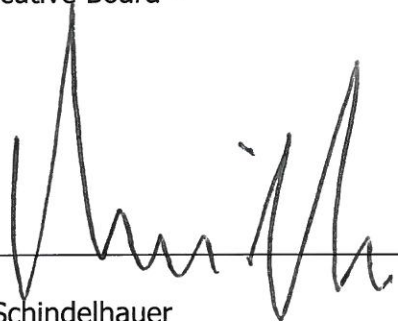
Based on the Company's assessment, Management has concluded that AIXTRON's internal control and risk management was effective as of December 31, 2016 to provide reasonable assurance that the system of internal procedures and controls are appropriate and effective. AIXTRON's Management reviewed the results of Management's assessment jointly with the Audit Committee of AIXTRON's Supervisory Board.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, has audited the consolidated financial statements and the group management report for the financial year from January 1 to December 31, 2016 prepared by AIXTRON SE, Herzogenrath and examined the effectiveness of the accounting-related internal control system and has issued an unqualified opinion.

Herzogenrath, March 2017

AIXTRON SE

- Executive Board -



Kim Schindelhauer



Dr. Bernd Schulte